



## MEMORANDUM

**To:** Mayor and City Council

**From:** Mario Canizares, Deputy City Manager

**Date:** May 10, 2016

**Reference:** Consideration of an Ordinance Regarding the Approval of a Negotiated Settlement with Atmos Energy Corp., Regarding the 2016 Rate Review Mechanism filings and its Supporting Documents Implementing the New Natural Gas Rates within the City of Coppel

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### Introduction:

The City of Coppel along with approximately 150 other cities are members of the Atmos Cities Steering Committee (ACSC) which covers almost 1.2 million residential Atmos Gas customers.

The Rate Review Mechanism (RRM) Tariff was originally adopted by ACSC member cities in 2007 as an alternative to the Gas Reliability Infrastructure Program ("GRIP"), the statutory provision that allows Atmos to bypass the City's rate regulatory authority to increase its rates annually to recover capital investments. The 2016 RRM filing is the fourth RRM filing under the renewed RRM Tariff. On March 1, 2016, Atmos made a filing requesting \$35.4 million additional revenues on a system-wide basis. Because the City of Dallas has a separate rate review process, exclusion of Dallas results in the Company requesting \$28.6 million from other municipalities.

### Analysis:

The tariffs attached to the Ordinance approve rates that will increase the Company's revenues by \$29.9 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2016. The monthly residential customer charge will be \$19.10. The consumption charge will be \$0.11378 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$1.26, or about 2.43%. The typical commercial customer will see an increase of \$3.81, or 1.43%.

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all Cities adopt the Ordinance with its attachments approving the negotiated rate settlement resolving the 2016 RRM filing, and implementing the rate change. The RRM process is more favorable than the GRIP process that is within the purview of the Railroad Commission.

**Legal Review**

The City Attorney's Office has reviewed the model ordinance and concurs with its approval. The ordinance and the supporting documentation was prepared by the Committee's legal counsel Geoffrey Gay.

**Fiscal Impact**

The fiscal impact to the City of Coppell is approximately \$1,000.

**Recommendation:**

The City Manager's Office recommends approval of the model ordinance.